



EMERGING TRENDS IN INSURANCE – A STUDY IN INDIAN LIFE INSURANCE INDUSTRY

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ABSTRACT

Indian Life insurance sector is growing at a faster rate. This sun rising industry has given a platform for economic growth and employment. The great extent of importance realized after it has opened to the private players in the post liberalization period. With many players in business, the insurance regulatory and development authority came with innovative and constructive guidelines for both products and services.

Insurance is the backbone in managing the risk of the country. The insurance providers offer diversity of products to business, providing protection from risk thereby ensuring financial security. It helps individual and organization to minimize the consequences of risk which impart significant cause on the growth and development of insurance industry. Indian insurance industry is facing major challenges in reaching out willing customers, providing them services, acquiring and retaining players, product and distribution innovation etc. Apart from addressing the challenges of customers, improving the performance to achieve profitable growth is another big challenge faced by Indian life insurers. Life insurance sector anticipate different segments of customers with different needs thereby raising the importance of new and competitive dynamics.

This paper discusses the new trends and challenges that the present industry is facing. Our study is only limited to life insurance sector. The suggestion and recommendation will help both academicians and industry personnel to re-engineer their thought in insurance sector.

KEYWORDS: Life Insurance; Regulator; Plan; Insurance Industry.

INTRODUCTION

Insurance is one of the demanding financial products in India. Its basic motto is to protect the family of any uncertainty in life. So it is long term investment and need knowledge about that. Indian life insurance is too old. It is there from British Period and after nationalization; it has come fully under Government.

The insurance sector in India is still under developed as compared to developed countries as we have a small number of service providers. Despite the galloping population, the awareness for insurance amongst the middle and lower income group in India is somewhat low. The global insurance industry has a big eye on India, as India has abundant opportunities for all types of insurance. The Indian insurance companies offer a comprehensive range of insurance plans. Due to the growing demand for insurance, innumerable insurance companies started entering the insurance sector.

Therefore, it is imperative need on the part of insurance companies to adopt digital technologies in the present knowledge era. No doubt, the digital technologies will bring about new opportunities for additional premium, improved governance, better consumer experience and scope for loss reduction/prevention. Thus, the changed digital era has triggered competition amongst the insurance companies. Consequently, the insurance companies have to find ways and means to access the information and process telemetric data from sensors and devices, stream real time data from social media and external sources. Indeed the impact of digital innovation will drive new regulations governing additional pressures on insurance companies to efficiently and effectively meet these regulatory requirements.

Evolution of Insurance in India:

The concept of sharing losses due to flood, fire, famine, etc. has been prevalent for ages in India. But Insurance in its present form as an arm of the financial sector started in 1870 with opening of Bombay Mutual insurance. Subsequently, many life and non-life insurance companies started operating in India. In 1956 Life Insurance corporation (LIC) was nationalised and all 245 life insurance companies were merged into LIC. Similarly in 1973, during the General Insurance nationalisation, 103 non-life insurance companies merged with four Public Sector Insurance companies. Until 2000, only the Public Sector insurance companies, i.e., Life Insurance Corporation of India (LIC) and the four non-life Public Sector insurance companies viz. National Insurance Company Ltd., The Oriental Insurance Co. Ltd., United India Insurance Company Ltd., and The New India Assurance Company Ltd., had been operating in India.

Statement of the Problem:

The study is indicated briefly to analyze the recent trends of the life insurance and its impact to the entire insurance Industry.

REVIEW OF LITERATURE

Kasturi (2006) highlighted that the performance was assessed by maintaining the balance between all the measures in order to achieve success. The study evalu-

ated that financial performance was measured by various financial ratios while non-financial measures include indicators like orientation of customers, growth, and value to the societies. The measures revealed both short-term and long-run achievements of a company. Malik (2011) determined the relationship of profitability and internal factors of insurance companies in Pakistan. For determining specific factors, multiple regression model was applied where profitability taken as interest rate. The study concluded that life insurance Company being the public sector, was lagging behind due to competition faced by private insurers whereas private life insurance companies had performed well in terms of financial aspects. Bengal Chamber of commerce and KPMG (2013) addressed the present context of insurance. The external environment changed the entire industry. Profitability, growth and risks were to be considered with respect to shareholders view. FICCI and BCG (2013) discussed many issues with the industry. Mindset of the people towards insures is an important part. Distribution, Cost and digitalisation are some of the key areas to be thought of. Jain (2011) from Capegemini explored that life insurance industry need support in the area of distribution, product diversity and regulation.

Objective of the study

1. To study the present life insurance scenario and their growth drivers in India
2. To study the emerging trends in life insurance sector
3. To suggest measures for improvement in the insurance sector

RESEARCH METHODOLOGY

Exploratory research methodology is used here to analyze the data. Data was collected from multiple sources such as books, journals to understand the Life insurance industry. In this paper, we have referred previous research articles. Apart from this, we have visited different websites and professional magazines. Some more data was collected through personal and telephonic interviews and discussion with leading corporate people. So it is purely based on available secondary data.

Understanding Insurance:

Insurance is a financial products and quite popular in India. It is simply a contract between insurer and insured. The insurer is the company and the insured are the customers. It compensates our financial loss due to any uncertain death or other situations. This long term products need a careful planning in both design and implementation.

Insurance in broad is divided into two; life and general insurance. Later on health insurance has come out of general insurance. The products of insurance are normally termed as plans or policies. The money we charge from customers is known as premiums and the duration is referred as term of plan.

Table 1. List of Life Insurance Companies

in Insurance industry

Sr. No.	Name of Life Insurance company	Head Office
1	AEGON Religare Life Insurance Company Ltd.	Mumbai
2	Aviva Life Insurance Co. India Ltd.	Gurgaon
3	Bharti AXA Life Insurance Company Ltd.	Mumbai
4	Bajaj Allianz Life Insurance Company Limited	Pune
5	Birla Sun Life Insurance Co. Ltd.	Mumbai
6	Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited	Gurgaon
7	DHFL Pramerica Life Insurance Company Limited.	Gurgaon
8	Future Generali India Life Insurance Co. Ltd.	Mumbai
9	HDFC Life	Mumbai
10	ICICI Prudential Life Insurance Co. Ltd.	Mumbai
11	IDBI Federal Life Insurance Co. Ltd.	Mumbai
12	India First Life Insurance Company Limited.	Mumbai
13	ING Vysya Life Insurance Co. Ltd	Bengaluru
14	Kotak Mahindra Old Mutual Life Insurance Limited	Mumbai
15	Life Insurance Corporation of India	Mumbai
16	Max Life Insurance company Ltd.	Gurgaon
17	PNB MetLife India Insurance Company Limited	Bengaluru
18	Reliance Life Insurance Company Limited	Mumbai
19	Sahara India Life Insurance Co. Ltd.	Lucknow
20	SBI Life Insurance Co. Ltd.	Mumbai
21	Shriram Life Insurance Co. Ltd.	Hyderabad
22	Star Union Dai-ichi Life Insurance Company Limited	Mumbai
23	Tata AIA Life Insurance Company Ltd.	Mumbai
24	Edelweiss Tokio Life Insurance Co. Ltd.	Mumbai

FINDINGS

Trends in Insurance

Hybrid distribution channel: In the life insurance industry, the prominent distribution was agency. Around 90 % of businesses were coming from them. The high cost and low persistency in policy has thought of going to other channels known as alternate channels. Recently the contribution from alternate channels is increasing. In this context, Bancassurance increased and the no of banks as insurance partner has gone up. Both Public sector banks and Private Banks have come up with their insurance partners.

Difficulty in designing Marketing Mix: Marketing mix refers the combination of all P's to make the market attractive. Innovation in product which invited many unit linked policies was the centre of attraction for all. Low premium due to large no of players sometimes were uncomfortable for all. The entire banking industry is advanced in the communication strategy. This has compelled insurance players to practice innovative communication strategy including advertisement. So is not only product, but a balanced marketing mix is required for the industry with modern trend.

On line policy: Internet and technology has helped a lot to insurer. Now policy procuring through on line is cheaper than buying the same plan from agent. The major problem is not getting the support from the agent for that policy, if there is a claim or maturity. The person has to keep direct contact with the company.

Customer Servicing: From the year 2013, it is very clear that traditional plans have gained more weight age over ULIP. As traditional plans are long term products, insurer need to focus more on this. Customer retention and servicing is the key to remain in business. Even if in new pension plan, the capital protection features demands more policy servicing. Here investment and servicing are important for the companies. Above all, Policy administration is the most difficulty area to provide customer servicing.

RECOMMENDATION

From the above discussion on findings, we came across few novel ideas. Life insurance in India is in growing stage and to maintain it, the following five points are to be considered

1. To corporate must go to the basics of service marketing such as "under promise and over delivery"
2. To customization of offerings, mainly in product and distribution
3. To "Pockets of service" is to be done for quicker service and other operation
4. To advanced knowledge in the insurance is to be imparted to the employees

5. To "Digitalization and Relationship" is to be kept in policy marketing

LIMITATIONS OF THE STUDY

The data collected for the study depends on published financial statements of the companies which may incorporate some drawbacks. The horizon of the study merely confined to very less number of variables as the determinants of insurance company's profitability and measuring financial performance without considering any overall performance measurement tool.

CONCLUSION OF THE STUDY

The study has aimed to examine the financial performance of Indian life insurance companies through analyzing the determinants of their profitability. Measuring the performance of insurance companies has gained the relevance because they are not only providing the mechanism of saving money and transferring risk but also helps to channel funds in an appropriate way from surplus economic units to deficit economic units so as to support the investment activities in the economy. Performance of companies can affect economy as a whole and therefore it requires empirical analysis to judge the performance. For measuring financial performance, financial ratios such as current ratio, solvency ratio, return on assets ratio and insurance leverage ratio have been calculated. The study evaluated that public sector player LIC has sound liquidity position among all life insurers. As far as private players are concerned Companies like Future Generali, IDBI, Sahara, Shri Ram and SBI life have sound liquidity position. In case of solvency position, life insurers like Aviva, Bajaj Allianz, IDBI, Max Life, Sahara and SBI life insurance have higher solvency ratio as compared to others. Public life insurer is showing stability in its solvency position in five years.

Life insurance business in India needs a special care as compared to other business. Both theory and practice to be integrated to provide the best services to the policy holders. This industry is going to face more challenges due to change in economy and employment. More no of players around the world have planned to enter into India looking to the potential available here. Probably understanding the customer expectation and attitude for this product is the important. There is time to re-engineer the business model. The insurance companies are required to change their strategies and techniques and acclimatize themselves to the changed corporate environment to meet the emerging challenges in insurance sector on account of various changes taking place at the global level.

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